

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON LABOR AND CIVIL SERVICE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, May 13, 2008
10:05 a.m.

- - -

PRESENT:

COUNCILMAN BILL GREEN, CHAIR
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN MARIA QUINONES-SANCHEZ

BILL 080020 - An ordinance amending Title 22
of The Philadelphia Code, entitled "Public
Employees Retirement Code," to make elected
officials ineligible to participate in the
Deferred Retirement Option Plan (DROP), all
under certain terms and conditions.

- - -

V A R A L L O Incorporated
Litigation Support Services
Eleven Penn Center
1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103
215.561.2220 215.567.2670

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

COUNCILMAN GREEN: This is Councilman Bill Green for the Committee on Labor and Civil Service on Bill 080020.

I note that a quorum is present. Committee members Greenlee, Jones and Kenney are present.

Ms. Vidas will please read the bill into the record.

THE CLERK: Bill 080020, an ordinance amending Title 22 of The Philadelphia Code, entitled "Public Employees Retirement Code," to make elected officials ineligible to participate in the Deferred Retirement Option Plan (DROP), all under certain terms and conditions.

COUNCILMAN GREEN: We have public testimony from the Committee of Seventy, Zack Stalberg.

Is there anyone else here to testify on the bill today?

(No response.)

COUNCILMAN GREEN: Mr.

1 5/13/08 - LABOR - BILL 080020

2 Stalberg, please approach.

3 (Witness approached witness
4 table.)

5 COUNCILMAN GREEN: Please state
6 your name for the record.

7 MR. STALBERG: I am Zack
8 Stalberg, President and CEO of the
9 non-partisan Committee of Seventy. I am
10 here today to testify on proposed
11 legislation to prohibit elected officials
12 from participating in the City's Deferred
13 Retirement Option Plan. I appreciate the
14 opportunity to testify before this
15 Committee and thank Chairman Green. I
16 also want to thank you for putting me
17 first and last.

18 The Committee of Seventy favors
19 excluding elected officials from
20 participating in DROP.

21 There are clear incentives for
22 enrolling in DROP: no more required
23 pension payments by the City employee,
24 the receipt of a lump sum pension
25 payment, a guaranteed interest payment on

1 5/13/08 - LABOR - BILL 080020
2 the individual's pension investment of no
3 less than 4.5 percent.

4 But DROP is a deferred
5 retirement program. There is an
6 unequivocal presumption that an employee
7 must actually retire in order to benefit
8 from DROP.

9 That presumption was violated
10 when former City Solicitor Diaz
11 apparently sanctioned a one-day
12 retirement of two elected officials in
13 order to receive DROP pension payments.
14 Several other elected officials have
15 since enrolled in DROP.

16 Both of the officials who acted
17 on Diaz's advice ran for reelection in
18 November 2007, retired for 24 hours in
19 January 2008, received their lump sum
20 DROP payments and then returned to work
21 the following day.

22 It is impossible to comment on
23 Solicitor Diaz's rationale. The opinion
24 has not been made public. His successor,
25 Solicitor Smith, has indicated that for

1 5/13/08 - LABOR - BILL 080020

2 confidentiality reasons, she could not
3 even confirm its existence.

4 This loophole is not the only
5 reason to exclude elected officials from
6 this retirement program. DROP was
7 enacted in 1999 for two reasons: To
8 retain experienced employees, especially
9 police and firefighters, by giving them
10 an incentive to stay in their job for
11 four years after they might have
12 otherwise retired; and to allow the
13 department in which a DROP enrollee is
14 working time to choose and train a
15 successor.

16 Neither of these two reasons
17 for the DROP program has anything to do
18 with elected officials. With the
19 exception of the Mayor, who has a
20 two-term limit, it is up to the voters to
21 decide when it is time for an elected
22 official to go.

23 We want to emphasize that our
24 position is not intended to suggest that
25 elected officials who are currently

1 5/13/08 - LABOR - BILL 080020
2 enrolled in DROP should not receive its
3 benefits, nor are we singling out any
4 elected official who has already taken
5 advantage of DROP and officially retired,
6 such as Mayor Street. Their
7 participation is allowed by the rules
8 that currently exist.

9 Our position also does not take
10 into account the financial impact to the
11 City of including elected officials in
12 DROP. However, this matter has been
13 raised by everyone from PICA to the
14 Greater Philadelphia Economy League to
15 Mayor Nutter, who as a City Councilman
16 sponsored legislation in 2004 to remove
17 elected officials from DROP and
18 presumably still favors the idea.
19 Curiously, the actuarial report on DROP
20 that was sought by and presented last
21 month to the City's Retirement Board does
22 not directly address this controversial
23 point.

24 We hope Council will review the
25 cost of DROP among the many issues

1 5/13/08 - LABOR - BILL 080020
2 impacting the City's significant unfunded
3 pension liability. We urge this
4 Committee to reschedule a public hearing
5 originally intended for May 6th on a
6 resolution authorizing the examination of
7 the state of the City's pension system,
8 including existing plan entitlements,
9 contributions and investment strategies
10 and to prepare a report making
11 recommendations to ensure the fiscal
12 stability of the pension system. We hope
13 this Council will also look very closely
14 at the Mayor's \$3.5 billion pension bond
15 issue proposal.

16 Putting aside the financial
17 impact on the City's pension crisis, the
18 greatest cost of the DROP controversy is
19 that it has fueled cynicism of local
20 government. The long overdue reform you
21 are considering should be passed by this
22 Committee and by the full Council.

23 Thank you very much.

24 COUNCILMAN GREEN: Thank you.

25 Are there any questions for

1 5/13/08 - LABOR - BILL 080020

2 Mr. Stalberg?

3 Councilman Kenney.

4 COUNCILMAN KENNEY: Thank you
5 very much.

6 Good morning. Do you believe
7 that elected officials' participation in
8 the DROP program harms the pension fund?

9 MR. STALBERG: I think we don't
10 know that clearly enough. I received
11 late yesterday the actuarial study on the
12 pension program, and it is not instantly
13 clear whether there is a no cost, a small
14 cost or a large cost to elected officials
15 participating in DROP. I think it
16 requires -- the cost issue requires a
17 deeper and better examination than that.

18 COUNCILMAN KENNEY: From your
19 examination of the overall program, do
20 you believe that the existence of DROP
21 for all employees harms the pension fund
22 in any way?

23 MR. STALBERG: I also don't
24 know that. We're not opposing DROP.

25 COUNCILMAN KENNEY: No. I

1 5/13/08 - LABOR - BILL 080020

2 understand. Just in general.

3 MR. STALBERG: Pardon me?

4 COUNCILMAN KENNEY: I know
5 you're not opposing DROP as a program,
6 but just in general through your
7 research, have you been able to come up
8 with --

9 MR. STALBERG: No.

10 COUNCILMAN KENNEY: -- an
11 opinion on whether DROP is a good thing
12 or a bad thing for the pension fund?

13 MR. STALBERG: No. We don't
14 have the financial expertise at the
15 Committee of Seventy to determine that,
16 and I have to presume that the
17 participation of elected officials
18 represents some cost.

19 COUNCILMAN KENNEY: Now, it
20 was -- I don't know this for a fact, but
21 there was discussion relative to Mayor
22 Street's participation, for example, that
23 it's kind of a roll of the dice for the
24 employee, in that if you live long enough
25 and you're not in the DROP, you will

1 5/13/08 - LABOR - BILL 080020
2 collect more money than you will in the
3 lump sum. You're betting that you're not
4 going to live as long as you may. And
5 with all this actuarial kind of issues,
6 there's really never -- it's kind of a
7 science, but it's not exactly a defined
8 science whether or not when you make
9 that, I guess, end-of-career decision, do
10 I do DROP because if I don't do it, will
11 I live longer and wind up taking more
12 money out of the pension fund by getting
13 more monthly checks or do I bet that I'm
14 not going to live as long as I would like
15 to and want the lump sum. And does that
16 in some way balance out the cost? I
17 mean, they're all rhetorical questions,
18 but I --

19 MR. STALBERG: Right. I think
20 most financial advisors would say take
21 the lump sum benefit and have control
22 over the investment options, but,
23 frankly, that's not our expertise and
24 it's not our issue. We think that
25 elected officials really weren't designed

18 MR. STALBERG: I think the
19 timing of that was such that people were
20 not aware of that, the voters were not
21 aware of that until after the reelection.
22 I could be wrong about that.

23 COUNCILMAN KENNEY: Is it the
24 Committee of Seventy's position that we
25 should change this law because it simply

1 5/13/08 - LABOR - BILL 080020

2 doesn't look good? Is it more what it
3 looks like than what it is?

4 MR. STALBERG: No. No. I
5 think that DROP was designed for a couple
6 key reasons, as I mentioned in my
7 testimony, and they really don't pertain
8 to elected officials; that it certainly
9 doesn't look good and it certainly has
10 de-valued the service, I think, of a lot
11 of good elected officials.

12 COUNCILMAN KENNEY: I don't
13 know what I'm -- I'm not at a point yet
14 where I have to make that decision, but
15 the issue of the one-day retirement and
16 reelection is one issue. But the other
17 issue is one of participating in a
18 program if I intend to retire, if I am
19 eligible age-wise and length of
20 service-wise, that somehow this is not
21 the employee's money, that somehow it's
22 viewed by the public or those who are
23 opposed to elected officials in DROP that
24 somehow over the course of your 24, 30
25 years in government, you have not earned

1 5/13/08 - LABOR - BILL 080020

2 that money and are simply making an
3 arrangement which accelerates -- well,
4 actually decelerates your payments, saves
5 the pension fund potentially some money
6 and you get the benefit of the lump sum.

7 The issue of retiring for one
8 day and coming back I think has a totally
9 different flavor to it and issue to it,
10 but the fact that a public employee, an
11 elected official, has worked for 20, 24,
12 28, 32 years, that somehow they're taking
13 someone else's money I think is not
14 really accurate.

15 MR. STALBERG: I agree with you
16 that that's not really accurate. I think
17 that there are certain benefits to the
18 DROP program that were intended for a
19 certain class of City employee and, best
20 I can tell, they were not intended for
21 elected officials. The --

22 COUNCILMAN KENNEY: But at the
23 time we were debating the legislation, I
24 agree with you that it was not discussed.
25 I don't think it was overtly not

1 5/13/08 - LABOR - BILL 080020

2 intended, but it was not discussed and
3 debated. So it really was -- there's
4 really no, I guess, legislative history
5 on that specific issue, because I don't
6 remember it ever coming up in the course
7 of our deliberations on the original
8 DROP.

9 MR. STALBERG: Right. I think
10 certainly --

11 COUNCILMAN KENNEY: I wasn't
12 thinking of it at the time, of course,
13 because I was a lot younger than I am
14 now, but --

15 MR. STALBERG: I think the
16 presumption here is that it's a
17 retirement plan, not a one-day retirement
18 plan.

19 COUNCILMAN KENNEY: Correct.
20 And we totally agree on that one. I'm
21 concerned that the legitimate retirement
22 benefits of a long-term employee, whether
23 they're an elected official or not, is
24 somehow going to be abridged as a result
25 of what two individuals have done and

1 5/13/08 - LABOR - BILL 080020

2 what it looks like.

3 If I'm going into DROP, if I do
4 it, I'm not coming back. It's time to
5 go. But I don't want it to be perceived
6 that somehow you're doing some pension
7 boondoggle, that this is not your money.
8 You've earned that money. The agreement
9 you have as a City employee is both sides
10 contribute, and on the DROP program,
11 which is supposed to save the pension
12 fund money, you enter into this, you're
13 going to leave in four years or less, and
14 it's not somehow you're taking someone
15 else's money, it's kind of what you have
16 earned. And I think the two -- the
17 one-day retirement and that issue I think
18 needs to be untangled, because I think it
19 does confuse both.

20 MR. STALBERG: At this stage it
21 may be very difficult to untangle.

22 COUNCILMAN KENNEY: Okay.
23 Thank you.

24 COUNCILMAN GREEN: Perhaps you
25 could respond to this, Mr. Stalberg.

1 5/13/08 - LABOR - BILL 080020
2 It's, I guess, my belief that because the
3 DROP program is coterminous or four
4 years, the same length of time as an
5 elected official's service, essentially
6 the practice is, people are planning to
7 retire and sign up for the DROP after
8 their reelection and essentially receive
9 a golden parachute or a lump sum payment
10 at the end of four years, which is
11 antithetical to the purposes of DROP,
12 because the purposes of DROP are to
13 provide predictability in placing senior
14 civil servants or police and fire who are
15 in positions that require training or
16 additional skills and also to encourage
17 some of -- originally it was to encourage
18 some of our longer-term City employees
19 who had higher salaries to get out so
20 that we could replace them with younger,
21 less expensive people. And it seems to
22 me that the fact that the DROP program is
23 four years and a term is four years,
24 essentially what we're doing is providing
25 a golden parachute to people who have

1 5/13/08 - LABOR - BILL 080020
2 served the City and honorably perhaps for
3 the last 30 years.

4 Any comment on that?

5 COUNCILMAN KENNEY: Point of
6 information, Mr. Chairman, if I may. The
7 definition of a golden parachute is
8 important to his answer, in that a golden
9 parachute to me means something more than
10 was coming to you in the first place.
11 And the question I have again, the
12 one-day retirement aside, is this a
13 golden parachute or is this what you've
14 earned in an accelerated fashion, which
15 by getting it saves the pension fund
16 money.

17 COUNCILMAN GREEN: Well, I'm
18 going to answer that question and then
19 allow Mr. Stalberg to answer both of our
20 questions. The privilege of the Chair.

21 So Councilman Kenney's question
22 is correct, and it goes to the basic
23 question he was asking and goes to the
24 basic question I was asking. So allow me
25 to rephrase the question.

1 5/13/08 - LABOR - BILL 080020
2 for the actuaries to make the
3 determination as to whether or not it
4 costs money to the City, because you have
5 to somehow determine whether or not the
6 existence of a DROP program changes
7 behavior.

8 It is my belief that what is
9 happening now among elected officials and
10 in the DROP in general is that people are
11 retiring when they otherwise would,
12 receiving a lump sum payment while they
13 are receiving their salary essentially,
14 and that costs the pension system money.
15 As you noted, PICA has suggested it's 60,
16 70 million. The Pennsylvania Economy
17 League came up with a figure of \$40
18 million, and the Mayor's report is -- or
19 the Administration's or Pension Board's
20 financial impact is inconclusive. It
21 says that the system experienced a gain
22 of 62 million or a loss of 203.4 million,
23 depending -- and I don't have the basis
24 for those two assumptions yet, so it's
25 hard to get a figure. That's why after

1 5/13/08 - LABOR - BILL 080020
2 this hearing we're going to hold the bill
3 to try to get to the bottom of this
4 question.

5 But based on all that
6 background, do you have any comment?

7 MR. STALBERG: I think it's
8 both money that the individual has been
9 entitled to and a golden parachute.
10 There are some benefits attached to it.
11 In my mind, it is not necessarily one
12 thing or the other. The real question
13 is, were those benefits intended for
14 elected officials.

15 The larger DROP questions, I'm
16 afraid I'm not equipped to answer, but in
17 terms of this bill, the real question is,
18 was it designed to cover elected
19 officials. And in my mind, I can only
20 find two clear explanations for them, and
21 I cited that in the testimony, and that's
22 the reason we feel that elected officials
23 should not be included in the program.

24 COUNCILMAN GREEN: Any further
25 questions for Mr. Stalberg?

1 5/13/08 - LABOR - BILL 080020

2 (No response.)

3 COUNCILMAN GREEN: Thank you
4 very much for your testimony.

5 MR. STALBERG: Thank you.

6 COUNCILMAN GREEN: I was
7 pleased to hear what Councilman Kenney
8 just said, because one of the proposed
9 that was sent around Council in my first
10 weeks here actually would change the
11 Charter to permit people who are in DROP
12 today to have a 30-day window to get out
13 and would then make them ineligible to
14 run for office again for a number of
15 years after they actually took their DROP
16 payment, and if he is willing to support
17 that, I would certainly introduce that or
18 propose that again with him.

19 COUNCILMAN KENNEY: I don't
20 really understand the concept. I'd be
21 happy to talk to you about it after the
22 hearing.

23 My bottom line on this thing is
24 that if it's for appearance sake, that's
25 one argument. If it's because it's a

1 5/13/08 - LABOR - BILL 080020
2 negative to the pension fund that elected
3 officials are participating, that's
4 another argument. If overall the entire
5 DROP program is a severe negative to the
6 pension fund, that's another whole issue,
7 whether or not we should continue with
8 the DROP if in fact it's that detrimental
9 to the pension fund.

10 For me the issue is partially
11 appearance, but the majority of my
12 concern is whether or not elected
13 officials' participation and
14 participation in the entire program is a
15 negative to the pension fund. It's a
16 much more objective question and answer,
17 and if we could ever find that out
18 through whatever actuarial studies need
19 to be done, then we can make a decision
20 based on the facts.

21 If it's an issue relative to
22 what it looks like because an elected
23 official has done it, that's a legitimate
24 issue, but it's a different issue than
25 the strength of the pension fund.

1 5/13/08 - LABOR - BILL 080020

2 And, again, I will argue for
3 the record that this issue of golden
4 parachute or no golden parachute to me is
5 not accurate, because when you become a
6 City employee, whether you are in the
7 Sanitation Department, the Police
8 Department or any other department or in
9 City Council, you have an agreement with
10 the City, your employer. You contribute
11 so much money to your pension fund and
12 your employer contributes so much money
13 to your pension fund. That's part of the
14 contract between the employee and their
15 employer.

16 So I don't think it should be
17 portrayed as anything other than what
18 every other employee gets as a result of
19 being employed by the City of
20 Philadelphia. Whether or not we decide
21 as a panel and as a body to change that
22 because of the appearance is a totally
23 different situation that we need to
24 discuss, but I, again, have difficulty in
25 tangling up the appearance with whether

1 5/13/08 - LABOR - BILL 080020

2 or not elected official DROP or DROP in
3 general is a detriment to the pension
4 fund. And I think the appearance and the
5 argument relative to the appearance puts
6 in people's minds, maybe incorrectly,
7 that the pension fund somehow is in
8 jeopardy because of their participation.
9 So that's where I am on this.

10 COUNCILMAN GREEN: Thank you,
11 Councilman. I completely agree that the
12 pension fund is not in jeopardy because
13 of elected officials' participation in
14 the DROP, because there are enough of us
15 to effect the long-term results in the
16 pension fund. However, I want to repeat
17 that the pension fund -- DROP was enacted
18 for two reasons: to retain experienced
19 employees and to allow the department in
20 which a DROP enrollee is participating to
21 prepare for a successor, and neither of
22 those rationales apply to a City Council
23 person.

24 COUNCILMAN KENNEY: There's one
25 other, because I was here when we voted

1 5/13/08 - LABOR - BILL 080020
2 on it. The other reason why we passed it
3 was because we were told that it was
4 going to be beneficial to the pension
5 fund on a positive side.

6 COUNCILMAN GREEN: That is
7 correct.

8 COUNCILMAN KENNEY: So that's
9 the third side.

10 COUNCILMAN GREEN: And in the
11 face of a study that the Street
12 Administration put down to City Council
13 that said that DROP actually costs \$70
14 million, City Council extended the DROP
15 program. There have been other studies
16 that range this cost of DROP from 40
17 million to 70 million, including the
18 Pennsylvania Economy League, and the
19 latest study that we just received
20 from -- I don't know whether it was from
21 the Administration or the Pension
22 Board -- says that it's a gain of 62.1
23 million to a loss of 203.4 million.

24 But for elected officials, it
25 is not just a question of whether or not

1 5/13/08 - LABOR - BILL 080020

2 it costs money. First of all, I don't
3 believe the purposes of DROP apply to
4 elected officials, as I've said, and,
5 secondly, yes, public perception of us is
6 important, and that is another reason why
7 I proposed to eliminate DROP for elected
8 officials. Because as I traveled -- as I
9 campaigns across neighborhoods in the
10 City last year, I encountered many
11 residents who perceived a disconnect
12 between elected officials and the people
13 whom they represent. I believe that
14 reading about issues like loopholes in
15 the DROP program have contributed to that
16 disconnect. It is my hope that this
17 legislation brings us one step closer to
18 that divide and reaffirming our
19 commitment to good governance in the City
20 of Philadelphia.

21 COUNCILMAN KENNEY:

22 Mr. Chairman, if I may.

23 COUNCILMAN GREEN: Mr. Kenney.

24 COUNCILMAN KENNEY: Thank you.

25 Based on some of the numbers that you've

5/13/08 - LABOR - BILL 080020

stated relative to the overall DROP program, you would be anticipating that someone would be introducing legislation to end the DROP overall. I mean, if it's that negative to the pension fund, you would suspect that our fiduciary responsibility would be to eliminate it.

9 COUNCILMAN GREEN: The answer
10 is it's --

11 COUNCILWOMAN SANCHEZ:
12 Mr. Chairman?

13 COUNCILMAN GREEN: I'm sorry.
14 Councilwoman Sanchez.

15 COUNCILWOMAN SANCHEZ: No. You
16 want to finish?

17 COUNCILMAN GREEN: No. That's
18 all right.

19 COUNCILWOMAN SANCHEZ: There's
20 another testimony here that I find very
21 interesting from the Director of Finance
22 and the Chairperson of the Pension Board
23 that speaks to some of the points that
24 Councilman Kenney speaks of in terms of
25 the loopholes and how it's been used for

1 5/13/08 - LABOR - BILL 080020

2 favored employees. I'm assuming this is
3 going to go on the record, but I wanted
4 to --

5 COUNCILMAN GREEN: Yes, it is.

6 COUNCILWOMAN SANCHEZ: -- ask a
7 point of clarification. Are we expected
8 to vote on this in terms of this morning?
9 Because then I'd like to go on the record
10 on a few things.

11 COUNCILMAN GREEN: My intention
12 is to go into a public meeting and to
13 hold the bill to allow us to get more
14 specific information on the cost and
15 benefits, because I think data is
16 important before we make this decision.
17 But I will -- so go ahead and get on the
18 record what you'd like.

19 COUNCILWOMAN SANCHEZ: I think
20 that we're all kind of arguing the same
21 points. There's several different
22 issues, and I look at as three different
23 issues. It's, one, the perception that
24 elected officials are disconnected and
25 kind of get a privilege for special

1 5/13/08 - LABOR - BILL 080020

2 rules. I think the other issue is the
3 financial impact that we're speaking to.
4 And then the third issue around who gets
5 to skirt around this as in the case of
6 employees. Although the resolution only
7 speaks to elected officials, my
8 recommendation is that we ask for some
9 kind of deadlines around when we're going
10 to do this financial analysis.

11 I'm prepared to vote for
12 something of this nature just because of
13 perception. I think that there's a
14 certain amount of voter apathy to elected
15 officials and I really believe that we
16 should be held to a higher standard, and
17 if people feel that what we're doing is
18 wrong, then we should respond to it.

19 That said, I also think that
20 given the realities of where our
21 underfunded pension fund is, the
22 discussion around whether we engage in a
23 \$4 billion loan or bond issue to fully
24 fund it is one that should also be had.
25 And I agree with Kenney, as much as we

1 5/13/08 - LABOR - BILL 080020
2 want to separate those, they're not going
3 to be separated, because the public does
4 not have the stamina to sit through these
5 long discussions.

6 So my recommendation would be
7 to the Chair, if you're going to hold
8 this, that we ask the Administration on a
9 time schedule to give us some preliminary
10 numbers and that we come back.

11 But, I mean, I think that we
12 can have this discussion on three
13 different fronts and not agree on all
14 three, but I think we do agree that there
15 is a major perception problem, and that's
16 why we're here today, because people all
17 over the City feel that there's certain
18 privileges that have been allowed,
19 notwithstanding the fact that there have
20 been certain employees who have been
21 allowed to -- think of Police
22 Commissioner Sylvester Johnson and others
23 that were so public.

24 So I don't know how much longer
25 we're going to be at this in this

1 5/13/08 - LABOR - BILL 080020

2 discussion, but I don't think it's one
3 that we're going to resolve today.
4 Therefore, I ask that you close it.

5 COUNCILMAN GREEN: Yes. And,
6 in fact, I thought that the current study
7 would have more specific information, and
8 basically it punted and didn't address
9 the issues. I had conversations with the
10 Finance Director and Budget Director
11 about what assumptions they would make
12 with respect to DROP. And really the
13 problem is determining whether or not
14 DROP costs the pension fund money is
15 based on the subjective intent of the
16 pool of people that take DROP, and that's
17 a hard thing for actuaries to put a
18 number on. In the past, they've made
19 assumptions. Those assumptions have said
20 it costs money. What this current most
21 recent study does is make assumptions
22 with respect to behavior at the two
23 extremes and says it either saves 62 or
24 costs 203. If you say the assumptions
25 shouldn't be at the extremes but

1 5/13/08 - LABOR - BILL 080020
2 somewhere in the middle, that's
3 definitely a cost to the pension system,
4 but it is something that is hard to
5 quantify, which is why we are going to
6 try to get more information and have
7 testimony from the people who have done
8 the studies, to try to get to the bottom
9 of it.

10 Although I agree with you,
11 Councilwoman, that regardless of the
12 overall pension system, for which we do
13 have separate hearings that we're going
14 to schedule in June, this bill should
15 eventually pass.

16 Any further comments?

17 COUNCILMAN JONES: Yes, Mr.
18 Chairman.

19 COUNCILMAN GREEN: Councilman
20 Jones.

21 COUNCILMAN JONES: The
22 information you have on the study, are we
23 going to get copies of that so that we
24 can digest that information --

25 COUNCILMAN GREEN: Yes.

1 5/13/08 - LABOR - BILL 080020

2 COUNCILMAN JONES: -- so we can
3 make a more informed decision?

4 COUNCILMAN GREEN: Yes.

5 COUNCILMAN JONES: Thank you.

6 COUNCILMAN GREEN:

7 Mr. Stalberg?

8 MR. STALBERG: If I may just
9 comment on Councilwoman Sanchez's
10 remarks. I'd urge this Committee and
11 Council to press as hard as possible to
12 get the numbers and the best subjective
13 judgments in terms of whether behavior
14 has been changed or not.

15 This issue became public, I
16 believe, in January. The Committee of
17 Seventy asked for a top-to-bottom study
18 of DROP and its costs at that point, and
19 the Mayor indicated that that was going
20 to be done. At least the actuarial study
21 that we've seen that was presented to the
22 Pension Board doesn't really address the
23 question. Punting is a good description
24 of what is represented in that report.
25 And it's now May. So I think if there

1 5/13/08 - LABOR - BILL 080020
2 are going to be answers to these
3 questions that will allow you to make the
4 best possible decision, I think it's
5 going to rest on this Committee to really
6 press it as hard as you possibly can.

7 Thank you.

8 COUNCILMAN GREEN: Thank you,
9 Mr. Stalberg.

10 I am going to at this time
11 submit written testimony from Ben
12 Hayllar, Benjamin Hayllar, which I'll
13 provide to the Clerk, and I'll hold this
14 hearing to the call of the Chair.

15 Thank you.

16 (Committee on Labor and Civil
17 Service adjourned at 10:40 a.m.)

18 - - -

19

20

21

22

23

24

25

1

2

CERTIFICATE

3

I HEREBY CERTIFY that the

4

proceedings, evidence and objections are

5

contained fully and accurately in the

6

stenographic notes taken by me upon the

7

foregoing matter on May 13, 2008, and that

8

this is a true and correct transcript of same.

9

10

11

12

13

14

15

MICHELE L. MURPHY

16

RPR-Notary Public

17

18

19

(The foregoing certification of this

20

transcript does not apply to any reproduction

21

of the same by any means, unless under the

22

direct control and/or supervision of the

23

certifying reporter.)

24

25